

May 28, 2008
Milton, Florida

Present: Chairman Jerry Burden and members Debbie Laird, Kelly Green, Michele Tucker, Cindy Cotton, Danny Holt, Oakland Ard, Michelle Parker, Chrys Holley, and Mike Majors. Janice Boone (Housing Program Manager), Tony Gomillion (Public Services Director) and Betty Salter (Habitat for Humanity) were also present.

Welcome, New Committee Member: Mike Majors

Burden welcomed Mike Majors to the SHIP Housing Committee. All members introduced themselves.

HHRP (Hurricane Housing Recovery Program) Report

Boone gave a detailed update on the HHRP Report. She said in the next few months staff will know what money is actually committed. Boone said the only strategy showing uncommitted funds is the Reconstruction Strategy. She said \$700,000.00 has been committed. Boone said staff is finding out the cost to reconstruct homes and demolition has been substantially reduced. She said there was an extension approved so the County has until June 30, 2009 to have this money expended and have eligible families in the units where subsidies have been provided.

SHIP Report

Boone gave a detailed update on the SHIP Funds and each of the strategies. She said Substantial Rehabilitation has \$670,000.00 to be committed and of that \$384,000.00 is in this current year. Boone said there is a substantial amount still pending from prior years. She said Moderate Rehab has \$347,253.00 remaining. Boone said years 2005/2006 and 2006/2007 are under contract with USDA Rural and 2007/2008 funds will be administered directly by the Housing Program.

Boone said staff had an unprecedented month for closings. She said staff performed 18 closings equating to \$154,400.00. Boone said the allocation for this year was \$190,000.00. She said the committee approved to move other funds into the First Time Homebuyer Strategy. Boone said as of this report there was \$165,000.00 remaining out of \$340,000.00. She said the balance is currently \$114,000.00. Boone said the funds for funding year 2005/2006 have been expended. She said the final report is due to the State by June 30, 2008. Boone discussed committed and uncommitted funds for funding year 2006/2007.

Parker asked the maximum amount this program places in one home under Substantial Rehab. Boone said for years prior to 2007/2008 the maximum was \$35,000.00. She said the maximum amount for current year 2007/2008 is \$50,000.00.

SHIP Allocation of Program Income (Repayment & Trust Fund Interest)

Boone said when funds come back to the County after a home is sold and the lien the County has against the property is repaid, the money is placed back into a trust fund. She said interest is also placed back into the trust fund. Boone said income for 2007/2008 equals \$90,236.62 in payoffs and \$46,027.57 in interest. She said there are no requirements for this money from the State. Boone said as funds are received they need to be reported then approved less a fee for administration. She said these funds then need to be placed in one of the approved strategies. Boone said these funds have gone to the First Time Homebuyer Strategy in the recent past. She said it is staff's recommendation that this money (at the end of the year) be placed back into the First Time Homebuyer Strategy. Boone said approval of this recommendation will allow staff to make this transfer without coming back to the SHIP Committee for authorization.

Cotton moved approval for any recaptured SHIP Funds and interest to be automatically applied to the First Time Homebuyer Strategy; Holley seconded, and the motion carried unanimously.

Consideration of Advisory Committee Candidates

Burden said last month the committee discussed Oscar Sol with Carlisle Development to serve as the For Profit Provider of Affordable Housing and Jim Waite from the Local Planning Board to serve as an Actively Serving Citizen. Boone said these two individuals submitted emails regarding their background. She said the emails were in the packets mailed out to each committee member. Boone said these individuals have to be approved and in place by June 30, 2008. She said funding could be held up if these requirements are not met.

Cotton said she tried to find someone from the local area to serve as a For Profit Provider of Affordable Housing. She said she could not find anyone. Holt said he would like to have Oscar Sol's (Carlisle Development) input. Burden asked if there is a nomination to accept these recommendations as members of the committee.

Holley moved approval of the recommendation for Oscar Sol with Carlisle Development to serve as the For Profit Provider of Affordable Housing and Jim Waite from the Local Planning Board to serve as an Actively Serving Citizen; Parker seconded, and the motion carried unanimously.

Discussion of Debt Ratio/First Time Homebuyer Policy

Burden said he was not at the last meeting and would like clarification on what this action does. Boone said the general guidelines under the affordable housing definition are the monthly house payment of any family is recommended to be 30% or less of total monthly gross income. She said State guidelines say "you can allow for higher ratios if the mortgage lender is willing to underwrite and approve the first mortgage loan with higher ratios." Burden asked Boone to explain the difference in front end and back end ratios. Boone said a front end ratio is what the ratio is with a mortgage payment (principle, interest, taxes, and insurance) and any other required payment such as mortgage insurance. Boone said this total should be 30% or less. She said a back end ratio includes car payments, credit card payments, etc. that are added to the front end ratio for a total back end ratio. She said from a mortgage standpoint, back end ratios are not included. There was continued discussion on front end and back end ratios.

Cotton said it is her understanding staff does not know if debt ratio was a factor on those loans that defaulted or foreclosed. Boone said not for certain. She said, as a realtor, she can see this being a problem with lenders. Boone said the guidelines

state 30%, but staff has the last discretion on whether or not to allow the lending. She said the County has to protect this money. Green said it is important to know service debt ratio. He said there are people who will meet the 30%, but the service debt ratio is out of proportion. Green said this will also cause default.

Holt said the higher the ratio, the higher the rate of default. Boone said it is important for the SHIP Committee to understand that she discusses whether or not to fund ratios over 30% with County staff. Boone said there are all sorts of reasons to approve a higher debt ratio.

Burden said he felt the Committee is placing the County in the position of underwriting when that is not their responsibility. Boone said she can assure this is the County's responsibility from the State's standpoint. She said it is the County's fiduciary responsibility for these funds. Boone said the County can have any guidelines they feel are appropriate in administering the money.

Burden asked if the decision is taken back to the originating mortgage lender for additional information to make a decision or if the County is unilaterally making decisions based on percentage. He said the applicant could have a 50% income to debt ratio but also have \$12,000.00 in the bank. Boone said staff has not denied any applicant at this point. Burden said he is not against what is being discussed but wants to know the County has a firm understanding of the discussion. Laird said it is her recollection Boone wants to look at the big picture and not just at the numbers. Burden said this is good but the minutes do not reflect this. He said the minutes say one person has the right to say "no" to override what the mortgage lender has said.

Boone said the applicant always signs a document letting them know their debt ratio is higher than what is recommended under the program and that they understand they are committing themselves to a higher portion of their income going to their monthly payment. She said staff has the applicant state they understand this and feel like they are financially able to make their payment. Holt said any amount of money, dealing with this group of people, is where 1% or 2% counts.

Cotton said she felt the County may be opening itself up to liability. She said with discretion comes liability. Burden said if 30% is enforced, it should be enforced across the Board. Boone said this can be done, but it is something she does not recommend. She said she recommended taking this to the County Attorney to determine whether or not there is any risk or liability to the County. Parker said she felt the guidelines should be stricter.

Parker moved approval to have the County Attorney look at the debt ratios from a legal stand point. There was no second to the motion.

Green asked about foreclosure data further back prior to the current market situation to see what foreclosure rates were and what debt income ratios were at that point. He said quantitative numbers need to be known. Majors said he felt some type of ratio is needed. He said the ratio may need to be 40% instead of 30%. He said the Committee does not want to set up individuals for failure.

Boone said this recommendation was made with the State's blessing and brought forward after recommendations from the State. She said this recommendation was based on a healthy program to recover funds versus have them go to default or foreclosure.

Tucker asked if all lenders have the ability to use the SHIP funds or is it for certain approved lenders. She asked if these funds can be limited to a list of particular lenders. Boone said she agrees with this understanding but there are no current guidelines. She said this recommendation was an attempt to start a guideline and have it grow to other guidelines. Boone said this is not the only guideline that is needed.

Laird recommended setting a flat amount until guidelines are established. She asked if this will work from a legal stand point to protect the County. Burden said there is a state guideline and the Committee is talking about setting another guideline that is more conservative than the state guideline. Boone said the State says you can go beyond their recommended 30% if there are mitigating factors and the loan is approved.

Betty Salter said all loans approved through Habitat for Humanity only allow for 30% debt ratios. Cotton said USDA often goes beyond the 30% debt ratio requirement.

Burden asked Kelly Hobbs (Recorder) to read the minutes aloud regarding Debt Ratio from the last meeting. Hobbs read the section on Debt Ratio aloud.

Gomillion asked about qualified lenders that Tucker mentioned. Boone said lenders are not "approved." She said there is no process to approve a lender. Boone said lenders provide the County with basic information, but there has never been any type of approval process for lenders that she is aware of. Tucker asked if the lender is required to go through some type of educational orientation regarding SHIP. Boone said no. She said the lender is only given lender guidelines and provided with information on the program. Tucker said she felt "hands on" type training should be required. Boone said the County did a broad announcement when this year's funding was advertised in the newspaper. She said a lender meeting was held and approximately 35 people attended. She said she plans to hold this type of meeting annually.

Parker asked if an RFP can be done. Boone said yes. She said the County can set an approved list. Boone said Escambia County has an approved list of lenders they operate from. Burden said he is in support of tighter guidelines for all participating lenders before having to make underwriting decisions and second guessing lenders.

Parker said she made a motion several months ago about opening up to moderate income people and medium income individuals. She said these individuals can hopefully withstand a mortgage and make payments without foreclosing. Boone said this moderate income has always been for the First Time Homebuyer.

Cotton said she would like to see a breakdown of what the defaults consist of to make sure the Committee is focusing on the right issue. She said the guideline of 30% was established in the March minutes. Boone said the debt ratio has always been 30%. Cotton asked if the 30% debt ratio policy was approved by the Board of County Commissioners. Boone said this recommendation did not go before the Board of County Commissioners for approval. She said there are things that administratively need to be done that are not SHIP Committee decisions. Boone said not every aspect of what is done in administration falls under approval by the SHIP Committee. Burden said this is a good thing. Boone said administrative

guidelines do not go before the Board for approval. She said administrative guidelines are set by Statute. Boone said local guidelines can be set to make the program more successful, and this is the County's goal. She said she does not have the ability to stop things if there are no guidelines. Burden said in the past this program was administered by West Florida Regional Planning Council, and their guidelines were not shared with the County. He said guidelines need to be established.

Tucker said she would like to see some type of approved lenders list. She said something needs to be done so the County can be more prudent with the funds they are being charged with.

Tucker moved approval for staff to develop a list of lenders who are approved to participate in the SHIP program; Ard seconded, and the motion carried unanimously.

Information Only: SHIP Technical Bulletin 2008-01 and SHIP Technical Bulletin 2008-02

Boone said technical bulletins come out periodically. She said there have been two sent out this year, and they are included in each member's packet.

Minutes

Tucker moved approval of the minutes from the April 23, 2008 meeting; Parker seconded, and the motion carried unanimously.

Next Meeting Date

The next meeting date is scheduled for June 25, 2008 at 3:00 p.m. in the Public Services Community Room.

Adjourn

There being no further business to come before the Board at this time the meeting adjourned.